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Health Care Services

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The emerging Swiss market for privately operated health care services is conservatively projected to rise from an estimated $450 million in 1982 to at least $650 million in 1988. The total health care budget reached $7.8 billion in 1982, or 7.7 percent of the gross national product (GNP), rising from 3.3 percent of GNP in 1960 (see table 1). The government is dedicated to keeping expenditures at their present level, despite rising costs and an aging population. To accomplish this, the entire health care system will need to be revamped and the market opened to commercial enterprises.

The health care system in Switzerland is characterized by an extremely high degree of decentralization and fragmentation. This small country of 6.4 million people (see table 2) is divided into 26 cantons, each with its own requirements for social insurance and delivery of services. Hospital care is provided free to the patient and paid for by social insurance supplemented by local government subsidies, whereas about 10 percent of outpatient costs are paid by the individual. This system encourages hospitalization and provides no incentive for cost-effective hospital management. Thus, costs of hospitalization, which account for 45 percent of health care expenditures, increased 265 percent between 1970 and 1980.

Several proposals have been submitted for restructuring the country's health care system, but progress is slow. The most promising areas for foreign investment and expertise include private hospitals, home services, specialized health care facilities, consultancy services, electronic data processing, and weight reduction, fitness, and rehabilitation clinics.

Table 1.—Switzerland: Health care expenditures
(in millions of U.S. dollars)

	1982	1984	1985
Public sector			
Government budget (federal, cantonal, communities)	26,800	29,500	31,300
of which			
Contribution to social insurance	590	620	638
Contribution to hospitals (including capital expenditure*)	1,240	1,310	1,350
Other	1,370	1,770	2,012
Total health care budget	3,200	3,700	4,000
Private sector			
Contributions of private persons to social insurance	2,600	2,800	2,900
Other expenditures (private insurance and direct payments for health care services)	2,000	2,300	2,500
Total	4,600	5,100	5,400
Gross national product and health care costs			
GNP	100,900	106,300	110,000
Total public and private health care expenditures	7,800	8,800	9,400
Percentage government health care budget to GNP	3.2%	3.5%	3.6%
Percentage of total public and private health care expenditures to GNP	7.7%	8.3%	8.5%
Per capita GNP	15,700	16,500	17,100
Per capita health care expenditures (public and private)	1,200	1,350	1,400

* Capital expenditure in hospitals: 1982—$150 million; 1984—$145 million; 1985—$142 million estimated.

Source: Swiss Hospital Associations VESKA and Swiss Hospital Institute SKI, and International Trade Administration, Office of Trade Information Services market research report (see Additional Information box).

Note: All values are given in U.S. dollars. Local currency is converted at the following exchange rates: US$1 = Sfr2.03 (1982) and Sfr2.15 (1983). Values for 1984 and later years are given in 1983 constant dollars.

Competitive Assessment and Best Prospects

Conditions in Switzerland favor U.S.-operated hospital chains in several ways. Hospitals are considered normal businesses and no certificate of need or other special approval is required. Private practitioners welcome the opportunity offered by U.S. firms to perform surgery and treat patients in a hospital, privileges denied them in Swiss facilities. A general shortage of private, one-bed rooms also encourages the expansion of privately operated hospitals.

Two U.S. hospital chains are already active in Switzerland—American Medical International (AMI) and Humana. AMI maintains 100-bed hospitals in Bern and Lausanne, is building hospitals in Zurich and Kreuzlingen, and is planning similar facilities for Luzern and Aarau. The hospitals in Bern and Lausanne and the one under construction in Zurich specialize in heart diseases. The 240-bed Humana hospital has an outpatient department and employs some 15 doctors; surgery is usually performed by private practitioners.

U.S. hospitals now operating in Switzerland enjoy higher than average occupancy rates and lower than average lengths of stay than their local counterparts, despite the fact that they treat more complex and difficult diseases. Their excellent reputations attract patients from other European countries as well. No profit-oriented hospitals owned by companies from third countries now operate in Switzerland, although the German-controlled Paracelsus group is planning to open such a facility.

Demand for home health care services and products is expected to grow rapidly. The high cost of hospitalization are due partly to the hospitalization of patients who could be cared for at home. Costs of nursing homes are increasing rapidly, and the number of beds available in old-age and nursing homes with medical care does not meet demand. The key question is whether the insurance funds will alter their regulations to cover these services. Most experts agree that they will have to change.

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Companies aiming at this virtually untapped home health care market may want to establish an infrastructure for services through pharmacies and retailers of medical supplies. Now, home care is provided mainly by government employees, and even the drugs needed are obtained through hospital pharmacies rather than commmercial establishments.

Although no health maintenance organization (HMO) exists in Switzerland, interest is high, and American HMO's have been studied in depth. In Bern, some 15 doctors are reportedly interested in organizing such a venture. However, the social health insurance funds worry that HMO's will attract a disproportionate share of good risks. An experienced American organization would find the ground well prepared for them.

Specialized facilities provide additional commercial opportunities. Weightwatchers is successfully operating 120 weight-reduction centers for its 6,000 members and anticipates continued growth. The John Valentine chain of fitness centers, which originated in Canada but whose Swiss operations are locally owned, currently runs 7 facilities with 10,000 members. Demand for fitness centers is expected to rise, especially among the younger health-conscious and affluent segment of the population. Rehabilitation centers and programs for alcoholics and drug addicts are also needed, and at least one U.S. organization is conducting a feasibility study in this area.

The cost containment mood in Switzerland will strengthen the market for consulting services, particularly for hospital management. U.S. firms such as Ernst & Whinney, AMI, and Humana are entering the market, aided by the excellent reputation of U.S. hospital management techniques. Local firms such as HCP Basel, AGP Zurich, Hospitalplan, and Krankenhausberatungsinstitut Zurich compete. The nonprofit Swiss Hospital Association VESKA and Swiss Hospital Institute SKI provide consultancy services for their members at very competitive rates.

Other consultancy services in demand include the development of computerized schemes to schedule nurses, analysis of hospital cost structure, reorganization of accountancies, and planning of new hospital or restructuring of existing hospitals. Diagnostic Related Group schemes are being discussed, which should lead to a demand for experienced consultants in the field.

The vast majority of hospitals use medical software and electronic data processing. NCR, IBM, and Philips are the leading suppliers, with their software developed in Switzerland. The U.S. firms Shared Medical Systems (SMS) and Electronic Data Services are exploring the market for integrated hospital information or management systems.

Promising areas of activity include microfilm services and the provision of up-to-date medical information to physicians, including tapes on the latest medical developments and American specialist literature. Nearly all doctors read English, and the high reputation of U.S. medicine keeps demand high. Hospital administrators are just learning about U.S. teleconferencing applications in management, tele training, and remote medical diagnosis.

Ancillary services are just beginning to be contracted; Swiss hospitals tend to handle as many services as possible in-house. Difficulties in firing the in-house staff that perform these services and the preference for local companies have further hampered foreign firms. However, U.S. companies with expertise in catering, laundry, cleaning, and disinfection services who are flexible enough to meet local conditions, should be able to participate in this emerging market.

Table 2.—Switzerland: Basic socioeconomic indicators, 1981

Population	
Total	6.4 million
Percentage	
under 5	5.7%
5-14	12.4%
15-64	68.0%
over 64	13.9%
Median age	37 years
Population growth rate (annual)	0.6%
Births per 1000	11.4
Deaths per 1000	9.4
Life expectancy at birth	
Males	72 years
Females	79 years
Population density	156 per square km.
Population in urban areas	43%
Population in rural areas	57%
(communities up to 10,000 inhabitants)	
Gross national product	$98.6 billion
1979-84 real annual rate of growth (adjusted for inflation)	1.8%
Per capital GNP	$15,300
1979-84 real annual rate of growth (adjusted for inflation)	1.8%
Median family income	$25,500
Inflation rate	2.9%
Labor Force	3 million
Unemployment	0.9%
Average hourly wage	$8.00
Average hourly wage for nurses	$11.00-12.00

Source: Statistical Yearbook

End User Data

The Swiss, with a median family income of $25,500, one of the highest in the world, insist upon a high standard of medical care and access to the most modern developments. The population is growing at a low 0.6 percent rate, and the average age is steadily rising. The over-65 age group comprises 13.9 percent of the population and is expected to reach 16.8 percent by the year 2000.

Taking steps toward the reform of the health care system, the Federal Government has established a

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committee on the control of health care expenditures, and the legislative bodies are debating proposed reforms. Analysts believe that efforts to control costs will include reducing the number of hospital beds for acute diseases, enlarging nursing facilities for the elderly, extending home care services, introducing direct payments by patients to hospitals, shortening the average length of stay, and improving cooperation between free practitioners and hospitals.

All proposals to change present regulations tend to increase the patients' contribution to health care costs. Direct payments for ambulatory care are already scheduled to double from the present 10-percent level. Reformers are pushing to change the current system of payments to hospitals to a system of prospective payments, which will encourage hospitals to improve their cost management.

The canton of Waadt is viewed by some as a possible model for reducing hospitalization costs. The canton operates a single financial pool for all its hospitals that fully covers fixed costs but has a low reimbursement rate for daily costs. The system thus offers an incentive to reduce the average length of stay.

Health Care Sector Profile

Public and private sector responsibility for health care are not clearly differentiated in Switzerland. Funding comes primarily from government subsidies (41 percent in 1982) and social insurance (35 percent). The remainder is supplied by the patients themselves.

Public sector profile.—Responsibilities in the public health care sector are divided—the Federal and Cantonal Governments set rules and supervise health care, but operate very few services. The Federal Department for Social Security handles old-age, accident, and disability insurance. The Federal Office of Public Health supervises the implementation of federal laws and ordinances pertaining to public health, including control of communicable disease, foodstuffs handling, medical license examinations, and revision of the Pharmacopeia.

The cantons provide about 70 percent of the public funding, with health care expenditures accounting for 18 percent of their budgets in 1982. The Committee of the Directors of the Cantonal Health Services plays a key role in coordinating activities among the various government agencies and in formulating public health policy.

The cantons operate hospitals and other health care facilities, provide preventive measures such as free vaccinations, and are responsible for legislating areas not covered by the federal regulations. Local communities operate and/or fund hospitals and home care services and enforce federal or cantonal regulations.

Health care facilities.—Switzerland's 702 hospitals are located in 242 communities with 48 percent of the population. Only about 21 percent of the population, in 1,638 remote communities, would have to go more than 50 km to a hospital.

The public sector operates 45 percent of the hospitals and 63 percent of the 82,500 beds (see table 3). Churches, the Red Cross, and other nonprofit organizations account for most of the privately run hospitals, although some 90 profitmaking hospitals provide 9,700 beds. Hospital chains are not an important factor, and very few hospitals are owned and directed by physicians. In general, private hospitals report higher average occupancy rates and shorter lengths of stay than public facilities.

A marked trend toward speciality hospitals has led to the opening of facilities treating only vascular diseases, using so-called natural curative methods, focusing on weight reduction, or such. The growing demand for psychiatric and psychiatric-geriatric hospitals is being met by converting general hospitals or building new institutions. Day clinics, where surgery is performed without requiring the patient to stay overnight, are a new development in Switzerland.

Table 3.—Switzerland: Health care sector statistical profile, 1982

	Number	Number of beds
Hospitals		
Specialty		
Short term treatment		
University	5	6,261
General	215	31,958
Children's	7	933
Gynecological	9	612
Rheumatism	8	855
Other specialist	30	1,556
Total	274	42,175
Long-term treatment		
Multipurpose, tuberculosis sanitoriums	25	2,513
Nursing homes for chronic diseases	125	10,148
Geriatric	7	1,292
Nursing homes for the aged	150	7,103
Total	307	20,956
Psychiatric	76	15,959
Other	45	3,336
Total	702	82,426
Population per bed		127
Size (general hospitals only)		
More than 500 beds	5	
200 to 499 beds	26	
125 to 249 beds	65	
75 to 125 beds	64	
1 to 74 beds	55	
Departments		
Intensive care	110	
Emergency care	180	
Surgery	270	
Radiology (diagnosis and therapy)	250	
Laboratory services	300	
Pediatrics	80	
Ophthalmology	50	
Internal medicine (including 10 facilities specializing in heart surgery)	200	
Psychiatry	25	

Hospital patients	
Short-term treatment	830,984
Long-term treatment	33,198
Psychiatric hospitals	27,827
Other hospitals	35,035
Total	927,044
Average length of stay (short-term treatment)	13.7 days
Disorder	
Cardiac diseases and circulatory disorders	21.6%
Respiratory diseases	9.6%
Accidents, poisonings, acts of violence	10.6%
Diseases of the nervous systems and the sensory organs	4.8%
Diseases of the digestive tract	8.2%
Malignant neoplasms	6.1%
Mental disorders	6.9%
Genitourinary diseases	7.0%
Metabolic disorders	6.2%
Diseases of the motor system	7.1%
Other	14.9%
Surgical procedures (1983)	
Total	680,000
Type*	
Head, brain, spine, back, bone marrow, peripheral nerves	3.2%
Eyes	3.2%
Otorhinolarynogology, face	8.4%
Bronchia, lungs, thorax	3.0%
Heart, arteries, veins, lymphatic system	5.2%
Endocrine glands	0.7%
Abdomen, diaphragm	16.8%
Kidneys, male genital organs	8.7%
Female genital organs, obstetrics	9.6%
Skeleton, soft parts	28.7%
Anesthesia and reanimation	12.5%

* Based on 35 percent of all operations

Source: Statistics of the Swiss Association of Hospitals VESKA and of the Swiss Hospital Institut, SKI, and market research report

Because of mounting overcapacity, hospitals are now competing for doctors and patients in an effort to fill their beds. Most treat as wide a spectrum of diseases as possible, transferring patients to specialist hospitals only when absolutely necessary.

Cost-efficiency has not been a major concern in hospitals because the Government has made up any deficits. Doctors request the most advanced equipment and experienced, qualified paramedical staff without regard to profitability. Joint purchasing of equipment and contracting of services are still rare, although cantonal hospitals have joined in setting up central laundries, which may be a step in the direction of closer cooperation to reduce costs. In general, hospital administrators decide what to buy, and the medical director of a prominent hospital can influence decisionmaking throughout the health care sector.

Home care services, known as Spitex, are provided by a multitude of governmental and charitable organizations. Spitex refers only to the nursing of patients needing personal care and does not include doctor's services. Patients pay up to 20 percent of the costs and the communities pay most of the rest. Social insurance funds contribute only if nurses perform covered paramedical services.

Pharmacies and commercial establishments play a very limited role in providing home care services. Companies specializing in enteral and parenteral nutrition supply mainly institutional customers. The idea that the patient or his relatives can handle treatment is still rather uncommon.

Mobile units are used only in remote mountainous areas for services such as dental checkups of children.

Medical personnel.—Switzerland was served by 17,700 doctors in 1982. Over half of this total—9,800—was employed by hospitals, where they often enjoy the privilege of treating private patients. The remainder were in private practice with few opportunities to treat patients in hospitals. Some 500 doctors were in group practice, which is on the rise, with an estimated 600 doctors will be working in 250 groups in 1984. The Association of Swiss Physicians, representing 95 percent of the doctors, plays an important role in negotiating contracts between doctors, hospitals, and insurance funds.

In the near future, Switzerland will face an oversupply of doctors. Enrollment in the 7 medical schools (7,400 students in 1982/83) is expected to reach 23,400 by the year 2000, providing 1 doctor for every 280 inhabitants. At present only 32 percent of all private practitioners work in rural areas. Switzerland's small size and modern infrastructure, however, allow almost all residents easy access to medical care. More than 80 percent of inhabitants live in communities with at least 1 private practitioner.

Nurses and medical technicians are in good supply, with 55,000 nurses and assistant nurses currently employed. The Association of Nurses has 16,000 members. Nursing schools are numerous: 38 schools offer programs in general care, 37 in assistant nursing, 32 in psychiatry, and 10 in pediatrics. Unions and professional organizations negotiate nurses' salaries with the cantons. In 1982, 19,000 medical technicians, about one-fifth laboratory technicians, had passed 3-year training programs.

Health care insurance.—Health insurance is obligatory in 16 cantons, 6 cantons leave it to the communities to establish obligatory funds, and 4 cantons have no obligatory insurance. At least 97 percent of the population is covered against certain risks, and virtually every citizen can afford necessary and adequate medical treatment.

In principle, the patient pays the doctor and pharmacist and is reimbursed for 90 percent of the cost of ambulatory care, including drugs and diagnostic tests. The cost of specific treatments is negotiated between the government and the doctors' association. Dental care is usually covered by supplementary insurance.

Hospital fees for patients treated in general wards are fully covered, with the rates fixed by the cantons

running the hospitals and the social insurance funds. Tariffs for home care services vary from canton to canton, with patients paying about 20 percent of the charges. Costs and reimbursement for home care are under discussion, with many feeling that they should be revised to provide incentives to increase services and make them more cost effective.

The borderline between private and public insurance is hazy, and some 550 private insurance funds qualify for subsidies from various sectors of the government. Another 40 private companies also offer insurance. Funds are financed primarily (77.6 percent) by the insured, with about 1 percent contributed by employers.

Market Access Data

Market practices.—In general, contracted services are offered directly by the providers to their clients. Home care or self-care products are usually sold through pharmacies or medical supply houses.

American investors are welcomed in Switzerland, and few problems are encountered in setting up health care services or medical facilities. Some reformers are suggesting that a certificate of need be required for all new hospitals, but this is not likely to become law.

No special penalties or restrictions affect termination of contractual relationships with distributors or agents.

Trade and business restrictions.—Switzerland is a very liberal country that offers ample opportunities for foreign investors. Repatriation of profits is not a problem. Some restrictions apply to foreigners working and living in Switzerland, but permits are usually issued for managers and specialists involved with major investments. Hiring and firing practices are regulated, but Swiss workers are renowned for discipline, reliability, and high productivity.

Technical standards and requirements.—To operate a health care facility, a firm must prove that it has qualified staff and will meet hygienic standards. The cantonal administrations or, in some cantons, the communities themselves, are responsible for the approval of health care facilities. The Federal Office of Public Health will help a firm determine which authority to contact.

Additional Information

The project officer responsible for Country Market Surveys on health care services is:

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The Survey summarizes a 64-page research report prepared by Dr. Karl-Wilhelm Kindel, under contract for the U.S. Department of Commerce, and reflects the opinions and views of interviewees in Switzerland and not those of the Department of Commerce. The research report gives considerably more detail on all the points touched upon in the Survey, as well as marketing practices, trade regulations, technical standards, and the names and addresses of prospective customers, potential agents and distributors, trade associations, and trade publications.

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